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Construction of Valuation Levels from an IPO: Incremental Multiplier Method and Application to the SPCX Case

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About The Author

Djibril Chimère Diaw

Software Developer, Cybersecurity Analyst.

Dedication

To

my mother Marème Fall

my father Amadou Chimère Diaw

my wife Isabelle Diaw

my children

Fatou-Chimère Diaw, Ahmadou-Chimère Diaw,

Marième-Chimère Diaw, Aïssata-Chimère Diaw .

my grandparents

Fatou Methiour Ndiaye & Waly Sega Fall

Fatou Faye & Souleymane Chimère Diaw

Teachers

To those who shall come into the world a century after me, beginning in the year two thousand and seventy-two.

To all mothers,

to those who made our coming into the world possible through the gift of themselves,
to those who, even today, carry, give birth to, nourish, protect, and raise life,
to those who, tomorrow, will continue to open the path of human existence.

To all women who, in silence or in light, have risked their bodies, their strength, and sometimes their lives so that humanity may endure.
To their quiet courage, their daily resilience, and their founding love.

May this work stand as an act of recognition,
a tribute passed on from generation to generation,
and a word of gratitude addressed to those without whom nothing would have been, nothing is, and nothing will be.

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Editorial Preface

Valuing initial public offerings is often based on dispersed reference points: technical levels, sector comparisons, or fundamental projections. However, during the early trading phases, these frameworks frequently prove insufficient due to the absence of price history and the dominance of speculative flows.

In this context, constructing reference levels through fixed multipliers of the IPO price offers a structuring alternative. It does not aim to predict the market but to provide a coherent, progressive, and easily interpretable framework. The following study examines a simple method: increasing the factor by 0.1 steps starting from 1, applied to the IPO price, illustrated through the SPCX case.

General Introduction

Financial markets during the first trading sessions of a newly listed stock are characterized by strong informational asymmetry and high structural volatility. The absence of historical technical zones makes it difficult to identify traditional support and resistance levels.

Faced with this uncertainty, operators can adopt methods of arithmetic price normalization based on multiples of the initial public offering (IPO) price. One such method consists of constructing a progressive grid of levels by multiplying the IPO price by a sequence of increasing factors of 0.1.

This approach transforms a chaotic dynamic into a readable sequence of levels, facilitating the interpretation of expansion, consolidation, and distribution phases.

1. Conceptual Foundations of the Multiplier Method

The method is based on a simple transformation:

$$P_n = P_0 \times (1 + 0.1n)$$

where:

- P_0 is the IPO price,
- n is a natural integer (0, 1, 2, 3, …),
- P_n represents a valuation level.

In the SPCX case:

- $P_0 = 135\$$

Thus, the first levels are:

- $1.0\times = 135\ \$$
- $1.1\times = 148.5\ \$$
- $1.2\times = 162\ \$$
- $1.3\times = 175.5\ \$$
- $1.4\times = 189\ \$$

This arithmetic progression structures a valuation continuum independent of intraday fluctuations.

2. Implicit Economic Logic of the Levels

Each level does not only represent a numerical value but a potential **behavioral threshold of the market**:

- Early multiples (1.0× to 1.2×) generally correspond to the discovery phase and absorption of the initial offering.
- Intermediate levels (1.2× to 1.5×) reflect confrontation phases between early buyers and late entrants.
- Higher multiples (above 1.5×) correspond to macro revaluation zones, where the asset begins to be compared to global sector leaders.

In the case of SPCX, these levels take on a particular significance as they coincide with implicit thresholds of global market capitalization.

3. Application to the SPCX Case

Applying the method to SPCX:

- 1.0× = 135 $
- 1.1× = 148.5 $
- 1.2× = 162 $
- 1.3× = 175.5 $
- 1.4× = 189 $
- 1.5× = 202.5 $
- 1.7× = 229.5 $
- 2.0× = 270 $

These levels allow structuring the interpretation of the stock’s trajectory.

For example:

- around 1.2×, the market tests initial absorption,
- around 1.3×, it validates or rejects the first trend extension,
- around 1.5×, it enters a zone of direct comparison with global mega-cap leaders.

4. Methodological Value of the Approach

This method presents several analytical advantages:

a) Reduction of short-term noise
It reduces dependence on intraday fluctuations and allows structural reading.

b) Standardization of value perception
Each level becomes a stable cognitive reference, facilitating comparison over time.

c) Alignment with IPO market dynamics
IPOs often develop in successive stages rather than linear trajectories.

d) Cross-asset comparability
It enables comparison between different stocks using a normalized base (their respective IPO price).

5. Limitations of the Method

Despite its descriptive relevance, this approach has limitations:

- it does not account for underlying fundamentals,
- it ignores sector-specific asymmetries,
- it assumes a regular progression that does not always exist in practice,
- it may lead to over-interpretation of psychological levels.

It should therefore be considered an interpretative tool, not a predictive model.

Transversal Conclusion

The incremental 0.1 multiplier method applied to IPO pricing is a cognitive structuring tool for markets in the discovery phase. It transforms a highly volatile process into a progressive sequence of interpretable levels.

In the SPCX case, this approach directly links price movements to global valuation thresholds, offering a hierarchical reading of capitalization growth.

However, its true value does not lie in prediction but in the cognitive stabilization it provides in the face of extreme market dynamics. It functions as a transitional language: a way of making intelligible a market phase in which traditional reference points are temporarily absent.